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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

March 18, 2015

CERTIFIED RETURN RECEIPT
7013 3020 0002 3659 5255

John Hewitt
Interstate Brick Company
9780 South 5200 West
West Jordan, Utah 84088

Subject: Division Directive to Increase Reclamation Surety and Amend Permit Acreage, Interstate Brick Company, Jim Gay Mine, M/49/0005, Utah County, Utah

Dear Mr. Hewitt:

The last reclamation cost estimate for the Jim Gay mine was completed in 2011 with the surety amount escalated to 2015 dollars based on a 50-acre disturbed area, so the reclamation surety amount is now due for review and adjustment. The Division of Oil, Gas and Mining may adjust the amount of reclamation surety as the result of a periodic review taking into account inflation/deflation based on an acceptable cost index (rule R647-4-113.6).

Interstate Brick reported in the 2014 annual report that the mine footprint had expanded to 57 acres. On February 5, 2015, the disturbance area was measured as 89 acres. Since this significantly increases the size of the disturbed area acreage, you are hereby directed to update the Notice of Intention to Commence Large Mining Operations (Notice) to reflect the correct acreage. This will not affect the amount of the permit fee, but it will affect the amount of the reclamation surety.

The current reclamation surety is in the form of a surety bond for \$97,600.00. Using current indirect costs and actual escalation figures since 2004, the year the reclamation cost estimate was last calculated, gives an average of \$2108.00 per acre. Increasing this amount for 89 acres gives a total cost estimate of \$187,612.00. This calculation is explained further on the attached spreadsheet, and I would be happy to answer questions about how it was derived.

As part of the modified Notice, the Division needs to receive a revised reclamation cost estimate, but until this cost estimate is received and approved, the Division will use the figure of \$187,612.00 as the required reclamation surety. We realize this is a substantial increase, but there has also been a substantial increase in the disturbed area.



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Please submit the increased surety no later than April 20, 2015, and please submit a modification to the Notice by May 18, 2015. Failure to supply the surety and modified Notice by these deadlines is like to results in issuance of a cessation order and associated fines. When making changes to the Notice, please use the form available on the Division's web site at https://fs.ogm.utah.gov/PUB/MINES/Minerals_Related/FORMS/MR-REV.pdf.

The surety can be increased by supplying a rider to the surety bond or by supplying cash, a certificate of deposit, a new surety bond, or a letter of credit for either the increased or total amount. If you supply an alternate form of surety for the total amount, the Division would release the existing surety. Please contact Penny Berry at 801-538-5291 or by e mail at pennyberry@utah.gov with questions about increasing the surety amount.

Please call April Abate at 801-538-5214 or me at 801-538-5261 if you have questions about this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'PBB' followed by a stylized 'M'.

Paul B. Baker
Mining Program Manager

PBB:aa:pb
Encl. Spreadsheet03062015
cc: Larry Garahana, BLM (lgarahan@blm.gov)
P:\GROUPS\MINERALS\WP\M049-Utah\M0490005-JimGayMine\Final\Escalation-03062015-pbb.doc

Jim Gay Mine	M/049/0005					
Surety Escalation	March 18, 2015					
Year	Percentage increase/year	Surety amount in <year> dollars				
2001	4.21%	1.0421				
2002	2.02%	1.0202	\$0.00			
2003	1.71%	1.0171	\$0.00	\$ 97,600.00	current surety amount based on 2004 calculation and escalation to 2015	
2004	0.84%	1.0084	\$81,275.00	\$ 84,807.00	base figure for 2004 (without escalation)	
2005	3.99%	1.0399	\$81,957.71	\$ (20,710.00)	remove indirect costs: mobilization (3000), contingency (7710) and supervision (10000)	
2006	5.44%	1.0544	\$85,227.82	\$ 64,097.00	Subtotal	
2007	2.12%	1.0212	\$89,864.22	\$ 17,178.00	indirect costs (26.8%) re-added	
2008	-3.40%	0.966	\$91,769.34	\$ 81,275.00	total starting amount for 2004	
2009	2.90%	1.029	\$88,649.18			
2010	1.80%	1.018	\$91,220.01			
2011	2.90%	1.029	\$92,861.97			
2012	3.40%	1.034	\$95,554.96			
2013	1.50%	1.015	\$98,803.83			
2014	-1.31%	0.987	\$100,285.89			
2015	-1.00%	0.99	\$99,283.03			
2019 Escalation rate 1.2%		1.012	\$105,384.706	Escalation rate is average of previous five years		
			\$105,400.00	Rounded to nearest \$100, 50 acres		
			\$2,108.00	Average cost per acre		
			\$187,612.00	Amount for 89 acres		

Note: The surety amount is listed in the row of the year in which it was calculated.
The escalation factor for a year is applied to the surety amount to take it to the next year.